

106TH CONGRESS
1ST SESSION

S. 1056

To amend the Internal Revenue Code of 1986 to improve tax equity for the Highway Trust Fund and to reduce the number of separate taxes deposited into the Highway Trust Fund, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 14, 1999

Mr. CHAFEE introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to improve tax equity for the Highway Trust Fund and to reduce the number of separate taxes deposited into the Highway Trust Fund, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Highway Tax Equity
5 and Simplification Act of 1999”.

6 **SEC. 2. FINDINGS AND PURPOSES.**

7 (a) FINDINGS.—Congress finds that—

1 (1) Congress should enact legislation to correct
2 the distribution of the tax burden among the various
3 classes of persons using the Federal-aid highways, or
4 otherwise deriving benefits from such highways;

5 (2) the most recent highway cost allocation
6 study by the Department of Transportation found
7 that owners of heavy trucks significantly underpay
8 Federal highway user fees relative to the costs such
9 vehicles impose on such highways, while owners of
10 lighter trucks and cars overpay such fees;

11 (3) pavement wear and tear is directly cor-
12 related with axle-weight loads and distance traveled,
13 and to the maximum extent possible, Federal high-
14 way user fees should be structured based on this
15 fundamental fact of use and resulting cost;

16 (4) the current Federal highway user fee struc-
17 ture is not based on this fundamental fact of use
18 and resulting cost; to the contrary—

19 (A) the 12-percent excise tax applied to the
20 sales of new trucks has no significant relation-
21 ship to pavement damage or road use and does
22 the poorest job of improving tax equity,

23 (B) the heavy vehicle use tax does not eq-
24 uitably apply to heavy trucks (such tax is
25 capped with respect to trucks weighing over

1 75,000 pounds) and does not vary by annual
2 mileage, thus 2 heavy trucks traveling 10,000
3 miles and 100,000 miles, respectively, pay the
4 same heavy vehicle use tax, and

5 (C) diesel fuel taxes do a poor job recov-
6 ering pavement costs because such taxes only
7 increase marginally with weight increases while
8 pavement damage increases exponentially with
9 weight, and increasing the rates for diesel fuel
10 will not resolve this fundamental flaw;

11 (5) truck taxes based on a combination of the
12 weight of vehicles and the distance such trucks trav-
13 el provide greater equity than a tax based on either
14 of these 2 factors alone; and

15 (6) the States generally have in place mecha-
16 nisms for verifying the registered weight of trucks
17 and the miles such trucks travel.

18 (b) PURPOSES.—The purposes of this Act are—

19 (1) to replace the heavy vehicle use tax and all
20 other Federal highway user charges (except fuel
21 taxes) with a Federal weight-distance tax which is
22 designed to yield at least equal revenues for highway
23 purposes and to provide equity among highway
24 users; and

1 (2) to provide that such a tax be administered
2 in cooperation with the States.

3 **SEC. 3. REPEAL AND REDUCTION OF CERTAIN HIGHWAY**
4 **TRUST FUND TAXES.**

5 (a) **REPEAL OF HEAVY VEHICLE USE TAX.**—Sub-
6 chapter D of chapter 36 of the Internal Revenue Code of
7 1986 (relating to tax on use of certain vehicles) is re-
8 pealed.

9 (b) **REPEAL OF TAX ON HEAVY TRUCKS AND TRAIL-**
10 **ERS SOLD AT RETAIL.**—Section 4051(c) of the Internal
11 Revenue Code of 1986 (relating to termination) is amend-
12 ed by striking “October 1, 2005” and inserting “July 1,
13 2000”.

14 (c) **REPEAL OF TAX ON TIRES.**—Section 4071(d) of
15 the Internal Revenue Code of 1986 (relating to termi-
16 nation) is amended by striking “October 1, 2005” and in-
17 serting “July 1, 2000”.

18 (d) **REDUCTION OF TAX RATE ON DIESEL FUEL TO**
19 **EQUAL RATE ON GASOLINE.**—Section 4081(a)(2)((A)(iii)
20 of the Internal Revenue Code of 1986 (relating to rates
21 of tax) is amended by striking “24.3 cents” and inserting
22 “18.3 cents”.

23 (e) **CONFORMING AMENDMENTS.**—

24 (1) Section 4221(a) of the Internal Revenue
25 Code of 1986 (relating to certain tax-free sales) is

1 amended by striking “October 1, 2005” and insert-
 2 ing “July 1, 2000”.

3 (2) Subchapter A of chapter 62 of such Code
 4 (relating to place and due date for payment of tax)
 5 is amended by striking section 6156.

6 (3) The table of sections for subchapter A of
 7 chapter 62 of such Code is amended by striking the
 8 item relating to section 6156.

9 (4) Section 9503(b)(1) of such Code (relating
 10 to transfer to Highway Trust Fund of amounts
 11 equivalent to certain taxes) is amended by striking
 12 subparagraphs (B) and (C) and by redesignating
 13 subparagraphs (D) and (E) as subparagraphs (B)
 14 and (C), respectively

15 **SEC. 4. TAX ON USE OF CERTAIN VEHICLES BASED ON**
 16 **WEIGHT-DISTANCE RATE.**

17 (a) IN GENERAL.—Chapter 36 of the Internal Rev-
 18 enue Code of 1986, as amended by section 3(a), is amend-
 19 ed by adding at the end the following:

20 **“Subchapter D—Tax on Use of Certain**
 21 **Vehicles**

“Sec. 4481. Imposition of tax.
 “Sec. 4482. Definitions.
 “Sec. 4483. Exemptions.
 “Sec. 4484. Cross references.

22 **“SEC. 4481. IMPOSITION OF TAX.**

23 **“(a) IMPOSITION OF TAX.—**

1 “(1) IN GENERAL.—A tax is hereby imposed on
2 the use of any highway motor vehicle (either in a
3 single unit or combination configuration) which, to-
4 gether with the semitrailers and trailers customarily
5 used in connection with highway vehicles of the same
6 type as such highway motor vehicle, has a taxable
7 gross weight of over 25,000 pounds at the rate of—

8 “(A) the cents per mile rate specified in
9 the table contained in paragraph (2), or

10 “(B) in the case of a highway motor vehi-
11 cle with a taxable gross weight in excess of the
12 weight for the highest rate specified in such
13 table for such vehicle, the cents per mile rate
14 specified in paragraph (3).

15 “(2) RATE SPECIFIED IN TABLE.—The table
16 contained in this paragraph is as follows:

Taxable Gross Weight in Thou- sands of Pounds	Cents Per Mile								
	2-axle single unit	3-axle single unit	4- axle+ single unit	3-axle com- bina- tion	4-axle com- bina- tion	5-axle com- bina- tion	6-axle com- bina- tion	7-axle com- bina- tion	8- axle+ com- bina- tion
Over 25 to 30	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Over 30 to 35	1.00	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Over 35 to 40	3.00	0.50	0.00	0.50	0.00	0.00	0.00	0.00	0.00
Over 40 to 45	5.00	1.50	0.50	1.00	0.00	0.00	0.00	0.00	0.00
Over 45 to 50	8.00	3.00	1.00	1.50	0.25	0.00	0.00	0.00	0.00
Over 50 to 55	12.00	6.00	2.00	2.50	0.50	0.25	0.00	0.00	0.00
Over 55 to 60	21.00	10.00	4.00	3.50	1.00	0.50	0.00	0.00	0.00
Over 60 to 65	30.00	17.00	7.00	5.00	2.50	1.00	0.25	0.00	0.00
Over 65 to 70 .....	.....	25.00	10.00	7.50	4.00	2.00	0.50	0.00	0.00
Over 70 to 75 .....	.....	33.00	14.00	11.00	5.50	3.00	1.25	0.00	0.00
Over 75 to 80 .....	.....	41.00	19.00	17.00	7.50	3.75	2.00	0.00	0.00
Over 80 to 85 .....	.....	50.00	24.00	25.00	13.00	7.00	4.00	0.50	0.00
Over 85 to 90 .....	.....	.....	30.00	.....	19.00	11.00	6.00	1.00	0.00
Over 90 to 95 .....	.....	.....	36.00	.....	25.00	15.00	8.50	1.50	0.25
Over 95 to 100 .....	.....	.....	42.00	.....	.....	20.00	11.00	2.00	0.50
Over 100 to 105 .....	.....	.....	50.00	.....	.....	25.00	14.00	3.50	1.00
Over 105 to 110 .....	.....	.....	.....	.....	.....	30.00	17.00	5.00	2.00
Over 110 to 115 .....	.....	.....	.....	.....	.....	35.00	20.00	7.00	3.00
Over 115 to 120 .....	.....	.....	.....	.....	.....	.....	23.00	9.00	4.00

Taxable Gross Weight in Thou- sands of Pounds	Cents Per Mile								
	2-axle single unit	3-axle single unit	4- axle+ single unit	3-axle com- bina- tion	4-axle com- bina- tion	5-axle com- bina- tion	6-axle com- bina- tion	7-axle com- bina- tion	8- axle+ com- bina- tion
Over 120 to 125	26.00	11.00	6.00
Over 125 to 130	29.00	13.00	8.00
Over 130 to 135	32.00	15.00	10.00
Over 135 to 140	35.00	17.00	12.00
Over 140 to 145	19.00	14.00
Over 145 to 150	21.00	16.00

1 “(3) RATE SPECIFIED IN PARAGRAPH.—The
2 cents per mile rate specified in this paragraph is as
3 follows:

4 “(A) In the case of any single unit high-
5 way motor vehicle with 2 or more axles or any
6 combination highway motor vehicle with 3 or 4
7 axles, the highest rate specified in the table
8 contained in paragraph (2) for such vehicle,
9 plus 10 cents per mile for each 5000 pounds
10 (or fraction thereof) in excess of the taxable
11 gross weight for such highest rate.

12 “(B) In the case of any combination high-
13 way motor vehicle with 5 or 6 axles, the highest
14 rate specified in the table contained in para-
15 graph (2) for such vehicle, plus 5 cents per mile
16 for each 5000 pounds (or fraction thereof) in
17 excess of the taxable gross weight for such
18 highest rate.

19 “(C) In the case of any combination high-
20 way motor vehicle with 7 or more axles, the

1 highest rate specified in the table contained in
2 paragraph (2) for such vehicle, plus 2 cents per
3 mile for each 5000 pounds (or fraction thereof)
4 in excess of the taxable gross weight for such
5 highest rate.

6 “(b) DETERMINATION OF NUMBER OF AXLES.—For
7 purposes of this section—

8 “(1) IN GENERAL.—The total number of axles
9 with respect to any highway motor vehicle shall be
10 determined without regard to any variable load sus-
11 pension axle, except if such axle meets the require-
12 ments of paragraph (2).

13 “(2) ELIGIBILITY REQUIREMENTS.—The re-
14 quirements of this paragraph are as follows:

15 “(A) All controls with respect to the vari-
16 able load suspension axle are located outside of
17 and inaccessible from the driver’s compartment
18 of the highway motor vehicle.

19 “(B) The gross axle weight rating of all
20 such axles with respect to the highway motor
21 vehicle shall conform to the greater of—

22 “(i) the expected loading of the sus-
23 pension of such vehicle, or

24 “(ii) 9,000 pounds.

1 “(3) VARIABLE LOAD SUSPENSION AXLE DE-
 2 FINED.—The term ‘variable load suspension axle’
 3 means an axle upon which a load may be varied vol-
 4 untarily while the highway motor vehicle is enroute,
 5 whether by air, hydraulic, mechanical, or any com-
 6 bination of such means.

7 “(4) TERMINATION OF EXCEPTION.—The ex-
 8 ception under paragraph (1) shall not apply after
 9 June 30, 2004.

10 “(c) DETERMINATION OF MILES.—

11 “(1) USE OF CERTAIN TOLL FACILITIES EX-
 12 CLUDED.—For purposes of this section, the number
 13 of miles any highway motor vehicle is used shall be
 14 determined without regard to the miles involved in
 15 the use of a facility described in paragraph (2).

16 “(2) TOLL FACILITY.—A facility is described in
 17 this paragraph if such facility is a highway, bridge,
 18 or tunnel, the use of which is subject to a toll.

19 “(d) BY WHOM PAID.—The tax imposed by this sec-
 20 tion shall be paid by the person in whose name the high-
 21 way motor vehicle is, or is required to be, registered under
 22 the law of the State or contiguous foreign country in which
 23 such vehicle is, or is required to be, registered, or, in case
 24 the highway motor vehicle is owned by the United States,

1 by the agency or instrumentality of the United States op-
 2 erating such vehicle.

3 “(e) TIME FOR PAYING TAX.—The time for paying
 4 the tax imposed by subsection (a) shall be the time pre-
 5 scribed by the Secretary by regulations.

6 “(f) PERIOD TAX IN EFFECT.—The tax imposed by
 7 this section shall apply only to use before October 1, 2005.

8 **“SEC. 4482. DEFINITIONS.**

9 “(a) HIGHWAY MOTOR VEHICLE.—For purposes of
 10 this subchapter, the term ‘highway motor vehicle’ means
 11 any motor vehicle which is a highway vehicle.

12 “(b) TAXABLE GROSS WEIGHT.—For purposes of
 13 this subchapter—

14 “(1) IN GENERAL.—Except as provided in para-
 15 graph (2), the term ‘taxable gross weight’ means,
 16 when used with respect to any highway motor vehi-
 17 cle, the maximum weight at which the highway
 18 motor vehicle is legally authorized to operate under
 19 the laws of the State in which it is registered.

20 “(2) SPECIAL PERMITS.—If a State allows a
 21 highway motor vehicle to be operated for any period
 22 at a maximum weight which is greater than the
 23 weight determined under paragraph (1), its taxable
 24 gross weight for such period shall be such greater
 25 weight.

1 “(c) OTHER DEFINITIONS AND SPECIAL RULE.—For
2 purposes of this subchapter—

3 “(1) STATE.—The term ‘State’ means a State
4 and the District of Columbia.

5 “(2) USE.—The term ‘use’ means use in the
6 United States on the public highways.

7 **“SEC. 4483. EXEMPTIONS.**

8 “(a) STATE AND LOCAL GOVERNMENT EXEMP-
9 TION.—Under regulations prescribed by the Secretary, no
10 tax shall be imposed by section 4481 on the use of any
11 highway motor vehicle by any State or any political sub-
12 division of a State.

13 “(b) EXEMPTION FOR UNITED STATES.—The Sec-
14 retary may authorize exemption from the tax imposed by
15 section 4481 as to the use by the United States of any
16 particular highway motor vehicle, or class of highway
17 motor vehicles, if the Secretary determines that the im-
18 position of such tax with respect to such use will cause sub-
19 stantial burden or expense which can be avoided by grant-
20 ing tax exemption and that full benefit of such exemption,
21 if granted, will accrue to the United States.

22 “(c) CERTAIN TRANSIT-TYPE BUSES.—Under regu-
23 lations prescribed by the Secretary, no tax shall be im-
24 posed by section 4481 on the use of any bus which is of
25 the transit type (rather than of the intercity type) by a

1 person who, for the last 3 months of the preceding year
 2 (or for such other period as the Secretary may by regula-
 3 tions prescribe for purposes of this subsection), met the
 4 60-percent passenger fare revenue test set forth in section
 5 6421(b)(2) (as in effect on the day before the day of the
 6 enactment of the Energy Tax Act of 1978) as applied to
 7 the period prescribed for the purposes of this subsection.

8 “(d) TERMINATION OF EXEMPTIONS.—Subsections
 9 (a) and (c) shall not apply on and after October 1, 2005.

10 **“SEC. 4484. CROSS REFERENCES.**

11 “(1) For penalties and administrative provi-
 12 sions applicable to this subchapter, see subtitle F.

13 “(2) For exemption for uses by Indian tribal
 14 governments (or their subdivisions), see section
 15 7871.”

16 (b) ADMINISTRATION OF TAX.—To the maximum ex-
 17 tent possible, the Secretary of the Treasury shall admin-
 18 ister the tax imposed by section 4481 of the Internal Rev-
 19 enue Code of 1986 (as added by this section)—

20 (1) in cooperation with the States and in co-
 21 ordination with State administrative and reporting
 22 mechanisms, and

23 (2) through the use of the International Reg-
 24 istration Plan and the International Fuel Tax
 25 Agreement.

1 **SEC. 5. COOPERATIVE TAX EVASION EFFORTS.**

2 The Secretary of Transportation is authorized to use
3 funds authorized for expenditure under section 143 of title
4 23, United States Code, and administrative funds de-
5 ducted under 104(a) of such title 23, to develop automated
6 data processing tools and other tools or processes to re-
7 duce evasion of the tax imposed by section 4481 of the
8 Internal Revenue Code of 1986 (as added by section 4(a)).
9 These funds may be allocated to the Internal Revenue
10 Service, States, or other entities.

11 **SEC. 6. STUDY.**

12 (a) IN GENERAL.—The Secretary of Transportation,
13 in consultation with the Secretary of the Treasury, shall
14 conduct a study of—

15 (1) the tax equity of the various Federal taxes
16 deposited into the Highway Trust Fund,

17 (2) any modifications to the tax rates specified
18 in section 4481 of the Internal Revenue Code of
19 1986 (as added by section 4(a)) to improve tax eq-
20 uity, and

21 (3) the administration and enforcement under
22 subsection (e) of the tax imposed by section 4481 of
23 the Internal Revenue Code of 1986 (as so added).

24 (b) REPORT.—Not later than July 1, 2002, and July
25 1 of every fourth year thereafter, the Secretary of Trans-
26 portation shall submit to the Committee on Ways and

1 Means of the House of Representatives and the Committee
 2 on Finance of the Senate a report on the study conducted
 3 under subsection (a) together with—

4 (1) recommended tax rate schedules developed
 5 under subsection (a)(2), and

6 (2) such recommendations as the Secretary may
 7 deem advisable to make the administration and en-
 8 forcement described in subsection (a)(3) more equi-
 9 table.

10 **SEC. 7. EFFECTIVE DATE AND FLOOR STOCK REFUNDS.**

11 (a) **EFFECTIVE DATE.**—The amendments made by
 12 this Act shall take effect on July 1, 2000.

13 (b) **FLOOR STOCK REFUNDS.**—

14 (1) **IN GENERAL.**—If—

15 (A) before July 1, 2000, tax has been im-
 16 posed under section 4071 or 4081 of the Inter-
 17 nal Revenue Code of 1986 on any article, and

18 (B) on such date such article is held by a
 19 dealer and has not been used and is intended
 20 for sale,

21 there shall be credited or refunded (without interest)
 22 to the person who paid such tax (hereafter in this
 23 subsection referred to as the “taxpayer”) an amount
 24 equal to the excess of the tax paid by the taxpayer
 25 over the amount of such tax which would be imposed

1 on such article had the taxable event occurred on
2 such date.

3 (2) TIME FOR FILING CLAIMS.—No credit or re-
4 fund shall be allowed or made under this subsection
5 unless—

6 (A) claim therefore is filed with the Sec-
7 retary of the Treasury before January 1, 2001,
8 and

9 (B) in any case where an article is held by
10 a dealer (other than the taxpayer) on July 1,
11 2000—

12 (i) the dealer submits a request for re-
13 fund or credit to the taxpayer before Octo-
14 ber 1, 2000, and

15 (ii) the taxpayer has repaid or agreed
16 to repay the amount so claimed to such
17 dealer or has obtained the written consent
18 of such dealer to the allowance of the cred-
19 it or the making of the refund.

20 (3) EXCEPTION FOR ARTICLES HELD IN RETAIL
21 STOCKS.—No credit or refund shall be allowed under
22 this subsection with respect to any article in retail
23 stocks held at the place where intended to be sold
24 at retail.

1 (4) DEFINITIONS.—For purposes of this sub-
2 section, the terms “dealer” and “held by a dealer”
3 have the respective meanings given to such terms by
4 section 6412 of such Code; except that the term
5 “dealer” includes a producer.

6 (5) CERTAIN RULES TO APPLY.—Rules similar
7 to the rules of subsections (b) and (c) of section
8 6412 of such Code shall apply for purposes of this
9 subsection.

○